MORGAN COUNTY

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701

Mary Taylor, CPA
Auditor of State

Board of Commissioners
Morgan County
155 E. Main Street, Room 217
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditors' Report* of Morgan County, prepared by Wolf, Wilson & Phillips, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Morgan County is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 30, 2009

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MORGAN COUNTY

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Morgan County
155 East Main Street
Room 217
McConnelsville, Ohio 43756-1297

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Morgan County, Ohio (the County) as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

The Mary Hammond Adult Activity Center, Inc., financial statements are presented as stand-alone statements in accordance with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the discretely presented component units (except the Mary Hammond Adult Activity Center, Inc.), each major fund, and the aggregate remaining fund information of the Morgan County, Ohio as of December 31, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund, MR/DD Fund, Job and Family Services Fund, and Motor Vehicle and Gasoline Tax Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

Also, in our opinion, the financial statements of the Mary Hammond Adult Activity Center, Inc., present fairly, in all material respects, its financial position, as of December 31, 2007, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2009, on our consideration of Morgan County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine of the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 11, 2009

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The discussion and analysis of Morgan County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- At the end of the current year, the County's governmental funds reported a combined ending fund balance of $3,138,368, a decrease of $47,173 from the prior year.

Using This Annual Financial Report

This discussion and analysis is intended to serve as an introduction to Morgan County's Cash Financial Statements. Morgan County's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

County-Wide Financial Statements

The County-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets - Cash Basis* presents information on Morgan County's Cash assets.

The *Statement of Activities – Cash Basis* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs.

Both of the government-wide financial statements identify functions of Morgan County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Morgan County include general government, public safety, public works, health, human services, and conservation and recreation.

Governmental Activities - Most of the County's programs and services are funded primarily by taxes and intergovernmental revenues, including federal and State grants and other shared revenues.

Component Units - The County's financial statements include financial data of the Regional Airport Authority, Inc. and the Mary Hammond Adult Activity Center, Inc. These component units are described in the notes to the financial statements. Component units are separate legal entities which may buy, sell, lease, and mortgage property and sue or be sued in their own name.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. The County's major governmental funds are the General Fund and the Job and Family Services, Motor Vehicle and Gasoline Tax, and Mental Retardation and Developmental Disabilities Special Revenue Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund *Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balance* for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2008 compared to 2007:

Table 1
Morgan County's Net Assets - Cash Basis

	Governmental Activities		
	2008	2007	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,888,345	$2,874,702	$13,643
Cash and Cash Equivalents with Fiscal Agent	258,743	317,369	(58,626)
Total Assets	$3,147,088	$3,192,071	($44,983)
Net Assets			
Restricted for:			
Capital Projects	$1,239	$21,239	($20,000)
Job and Family Services	366,503	328,484	38,019
Motor Vehicle and Gasoline Tax	803,026	0	803,026
Mental Retardation and Developmental Disabilities	714,206	252,094	462,112
Road and Bridge Projects	0	660,718	(660,718)
Senior Citizen Services	90,500	104,281	(13,781)
Child Support Enforcement Agency	44,092	38,234	5,858
Children Services	70,813	84,257	(13,444)
Other Purposes	999,073	1,632,826	(633,753)
Unclaimed Monies	12,026	11,551	475
Unrestricted	45,610	58,387	(12,777)
Total Net Assets	$3,147,088	$3,192,071	($44,983)

A portion of the County's net assets, $3,101,478 or 98.6 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, $45,610, or 1.4 percent is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for 2008 compared to 2007:

Table 2
Changes in Net Assets

	Governmental Activities	
Receipts:	2008	2007
Program Receipts		
Charges for Services	$1,244,817	$1,289,300
Operating Grants and Contributions	10,899,536	11,271,271
Capital Grants and Contributions	356,755	14,000
Total Program Receipts	12,501,108	12,574,571
General Receipts:		
Property Taxes	1,975,432	2,224,010
Conveyance Fees	45,359	23,024
Permissive Sales Taxes	1,146,118	1,056,091
Intergovernmental	344,370	318,629
Interest	120,422	138,185
Rent	268,477	249,394
Payment in Lieu of Taxes	7,243	5,138
Proceeds from Sale of Capital Assets	0	219
Bond Anticipation Note Issued	116,500	145,500
Miscellaneous	478,103	472,408
Total General Receipts	4,502,024	4,632,598
Total Receipts	17,003,132	17,207,169
Program Disbursements		
General Government:		
Legislative and Executive	1,228,865	1,334,263
Judicial	547,422	591,124
Public Safety	1,839,947	1,977,555
Public Works	3,360,726	4,581,573
Health	1,697,088	1,458,456
Human Services	5,544,151	5,807,630
Conservation and Recreation	1,161,832	746,489
Capital Outlay	356,755	34,482
Other	753,373	746,018
Debt Service:		
Principal	446,937	49,343
Interest and Fiscal Charges	111,019	96,335
Total Disbursements	17,048,115	17,423,268
Decrease in Net Assets	(44,983)	(216,099)
Net Assets Beginning of Year	3,192,071	3,408,170
Net Assets End of Year	$3,147,088	$3,192,071

Operating grants were the largest program revenues, accounting for $10,899,536 or 64.1 percent of total governmental activities receipts. The major recipients of intergovernmental program receipts were the Job and Family Services, Motor Vehicle and Gasoline Tax, and Mental Retardation and Developmental Disabilities program disbursements.

Property tax revenues account for $1,975,432 or 11.6 percent of total governmental revenues. Another major component of governmental receipts is permissive sales taxes, which accounted for $1,146,118 or 6.7 percent of total receipts.

The County's direct charges to users of governmental services made up $1,244,817 or 7.3 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for $5,544,151, or 32.5 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include public works programs, which accounted for $3,360,726, or 19.7 percent of total disbursements.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2008 and 2007. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government:				
Legislative and Executive	$1,228,865	$687,777	$1,334,263	$854,381
Judicial	547,422	245,566	591,124	337,534
Public Safety	1,839,947	1,320,111	1,977,555	1,562,973
Public Works	3,360,726	(117,627)	4,581,573	281,893
Health	1,697,088	745,288	1,458,456	628,369
Human Services	5,544,151	176,718	5,807,630	451,139
Conservation and Recreation	1,161,832	177,845	746,489	(179,770)
Capital Outlay	356,755	0	34,482	20,482
Other	753,373	753,373	746,018	746,018
Debt Service:				
Principal	446,937	446,937	96,335	96,335
Interest and Fiscal Charges	111,019	111,019	49,343	49,343
Total Expenses	$17,048,115	$4,547,007	$17,423,268	$4,848,697

Charges for services, operating grants, and capital grants of $12,501,108, or 73.3 percent of the total costs of services, are received and used to fund general governmental disbursements of the County. The remaining governmental disbursements are funded by property taxes, permissive sales taxes, intergovernmental revenues, interest, and miscellaneous revenues.

The $745,288 in net cost of services for Health demonstrates the costs of services that are not supported from State and federal resources. As such, the taxpayers have approved property tax levies for several programs including the Mental Retardation and Developmental Disabilities, Senior Citizen Services, and Ambulance Services.

Financial Analysis of County Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2008, the County's governmental funds reported a combined ending fund balance of $3,138,368, a decrease of $47,173 in comparison with the prior year. $2,962,693 or 94 percent of this total, constitutes unreserved, undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year ($163,649) or for unclaimed money payouts ($12,026). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the State or federal government.

The General Fund is the primary operating fund of the County. At the end of 2008, unreserved fund balance was $33,226, while total fund balance was $48,916. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 1 percent to total General Fund disbursements, while total fund balance represents 1.5 percent of that same amount.

The fund balance of the County's General Fund decreased by $14,482 during 2008. The primary causes of the decrease include a decrease in both property taxes and permissive sales taxes being collected.

At the end of 2008, the Job and Family Services Special Revenue Fund had a fund balance of $366,503, an increase of $38,019 from 2007.

At the end of 2008, the Motor Vehicle and Gasoline Tax Special Revenue Fund had a fund balance of $803,026, in comparison to a fund balance of $660,718 at the end of 2007. This is an increase of $142,308.

At the end of 2008, the Mental Retardation and Developmental Disabilities Special Revenue Fund had a fund balance of $714,206. This is a decrease of $106,617 from the fund balance of $820,823 at the end of 2007.

Budgetary Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

For the General Fund, changes from the original budget to the final budget have been minimal. Fluctuations in growth and diversity have typically not occurred in Morgan County, allowing department managers the ability to consistently predict revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets - The County had an appraisal of their capital assets in 1995. No updates to the County's capital assets have been made since 1995 and no information relating to capital assets is being presented.

Long-Term Obligations - As of December 31, 2008, the County had total general obligation bonded debt outstanding of $1,823,979. All of this debt is expected to be repaid through governmental activities. Other outstanding long-term debt included an OWDA Loan of $95,292, a Tax Increment Financing Loan of $71,503, and a Bond Anticipation Note of $116,500.

Additional information on the County's long-term obligations can be found in Note 13 of this report.

Economic Factors

The County's $261.593 million tax base has increased 17 percent over the last three years. This increase is attributed to an increase in the County's real estate tax values. Real property values within the County have risen over the past several years and are now at an all time high.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Gary Woodward, Morgan County Auditor, 155 East Main Street, Room 217, McConnelsville, Ohio 43756.

Morgan County, Ohio

Statement of Net Assets - Cash Basis

December 31, 2008

	Primary Government	Component Unit
	Governmental Activities	Morgan County Regional Airport Authority
Assets		
Equity in Pooled Cash and Cash Equivalents	$2,888,345	$2,922
Cash and Cash Equivalents with Fiscal Agents	258,743	0
Total Assets	$3,147,088	$2,922
Net Assets		
Restricted for:		
Capital Projects	$1,239	$0
Job and Family Services	366,503	0
Motor Vehicle and Gasoline Tax	803,026	0
Mental Retardation and Developmental Disabilities	714,206	0
Senior Citizen Services	90,500	0
Child Support Enforcement Agency	44,092	0
Children Services	70,813	0
Other Purposes	999,073	0
Unclaimed Monies	12,026	0
Unrestricted	45,610	2,922
Total Net Assets	$3,147,088	$2,922

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Activities - Cash Basis

For the Year Ended December 31, 2008

		Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
					Primary Government	Component Unit
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Morgan County Regional Airport Authority
Governmental Activities						
General Government:						
Legislative and Executive	$1,228,865	$488,857	$52,231	$0	($687,777)	$0
Judicial	547,422	238,306	63,550	0	(245,566)	0
Public Safety	1,839,947	159,007	360,829	0	(1,320,111)	0
Public Works	3,360,726	107,555	3,370,798	0	117,627	0
Health	1,697,088	26,399	925,401	0	(745,288)	0
Human Services	5,544,151	224,693	5,142,740	0	(176,718)	0
Community and Economic Development	1,161,832	0	983,987	0	(177,845)	0
Capital Outlay	356,755	0	0	356,755	0	0
Other	753,373	0	0	0	(753,373)	0
Debt Service:						
Principal Retirement	446,937	0	0	0	(446,937)	0
Interest and Fiscal Charges	111,019	0	0	0	(111,019)	0
Total Governmental Activities	$17,048,115	$1,244,817	$10,899,536	$356,755	(4,547,007)	0
Component Unit						
Morgan County Regional Airport Authority	$11,100	$8,638	$3,125	$0	0	663

General Receipts		
Property Taxes Levied for:		
General Purposes	734,660	0
Mental Retardation and Developmental Disabilities	799,580	0
Senior Citizen Services	57,816	0
Ambulance Services	383,376	0
Conveyance Fees	45,359	0
Permissive Sales Taxes Levied for General Purposes	1,146,118	0
Grants and Entitlements not Restricted to Specific Programs	344,370	0
Interest	120,422	131
Rent	268,477	0
Payment in Lieu of Taxes	7,243	0
Proceeds from the Sale of Capital Assets	0	650
Bond Anticipation Notes Issued	116,500	0
Miscellaneous	478,103	86
Total General Receipts	4,502,024	867
Change in Net Assets	(44,983)	1,530
Net Assets Beginning of Year	3,192,071	1,392
Net Assets End of Year	$3,147,088	$2,922

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2008

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$36,890	$366,503	$803,026	$455,463	$1,205,717	$2,867,599
Cash With Fiscal Agent	0	0	0	258,743	0	258,743
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	12,026	0	0	0	0	12,026
Total Assets	$48,916	$366,503	$803,026	$714,206	$1,205,717	$3,138,368
Fund Balances						
Reserved for Encumbrances	$3,664	$79,574	$12,141	$29,036	$39,234	$163,649
Reserved for Unclaimed Monies	12,026	0	0	0	0	12,026
Unreserved:						
Undesignated, Reported in:						
General Fund	33,226	0	0	0	0	33,226
Special Revenue Funds	0	286,929	790,885	685,170	1,165,244	2,928,228
Capital Projects Funds	0	0	0	0	1,239	1,239
Total Fund Balances	$48,916	$366,503	$803,026	$714,206	$1,205,717	$3,138,368

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2008

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	$734,660	$0	$0	$799,580	$441,192	$1,975,432
Permissive Sales Taxes	1,146,118	0	0	0	0	1,146,118
Payment in Lieu of Taxes	7,243	0	0	0	0	7,243
Charges for Services	523,201	0	54,407	7,996	398,985	984,589
Licenses and Permits	1,023	0	0	0	120,641	121,664
Fines and Forfeitures	115,614	0	12,095	0	56,214	183,923
Intergovernmental	382,134	4,567,210	3,309,385	915,523	2,401,350	11,575,602
Interest	120,422	0	16,991	7,886	182	145,481
Rent	26,436	0	0	0	242,041	268,477
Miscellaneous	174,920	71,288	22,575	78,917	130,403	478,103
Total Receipts	3,231,771	4,638,498	3,415,453	1,809,902	3,791,008	16,886,632
Disbursements						
Current:						
General Government:						
Legislative and Executive	840,773	0	0	0	388,092	1,228,865
Judicial	457,336	0	0	0	90,086	547,422
Public Safety	941,954	0	0	0	897,993	1,839,947
Public Works	0	0	3,273,145	0	87,581	3,360,726
Health	19,142	0	0	1,656,467	21,479	1,697,088
Human Services	139,872	4,686,429	0	0	717,850	5,544,151
Community and Economic Development	0	0	0	0	1,164,012	1,164,012
Capital Outlay	0	0	0	0	356,755	356,755
Other	753,373	0	0	0	0	753,373
Debt Service:						
Principal Retirement	9,871	0	0	250,000	187,066	446,937
Interest and Fiscal Charges	4,232	0	0	10,052	96,735	111,019
Total Disbursements	3,166,553	4,686,429	3,273,145	1,916,519	4,007,649	17,050,295
Excess of Receipts Over (Under) Disbursements	65,218	(47,931)	142,308	(106,617)	(216,641)	(163,663)
Other Financing Sources (Uses)						
Bond Anticipation Notes Issued	0	0	0	0	116,500	116,500
Advances In	0	0	0	0	18,750	18,750
Advances Out	(18,750)	0	0	0	0	(18,750)
Transfers In	25,000	85,950	0	0	0	110,950
Transfers Out	(85,950)	0	0	0	(25,000)	(110,950)
Total Other Financing Sources (Uses)	(79,700)	85,950	0	0	110,250	116,500
Net Change in Fund Balances	(14,482)	38,019	142,308	(106,617)	(106,391)	(47,163)
Fund Balances Beginning of Year	63,398	328,484	660,718	820,823	1,312,108	3,185,531
Fund Balances End of Year	$48,916	$366,503	$803,026	$714,206	$1,205,717	$3,138,368

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Receipts, Disbursements and Changes in
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Property Taxes	$763,582	$786,299	$735,421	($50,878)
Permissive Sales Taxes	1,090,502	1,122,944	1,146,118	23,174
Payment in Lieu of Taxes	4,856	5,000	7,243	2,243
Charges for Services	522,278	537,816	523,201	(14,615)
Licenses and Permits	1,117	1,150	1,023	(127)
Fines and Forfeitures	94,198	97,000	115,614	18,614
Intergovernmental	350,485	360,912	382,134	21,222
Interest	121,795	125,418	120,422	(4,996)
Rent	25,637	26,400	26,436	36
Miscellaneous	191,803	197,509	174,920	(22,589)
Total Receipts	3,166,253	3,260,448	3,232,532	(27,916)
Disbursements				
Current:				
General Government:				
Legislative and Executive	833,241	850,850	841,741	9,109
Judicial	363,076	370,737	458,757	(88,020)
Public Safety	739,741	755,350	941,954	(186,604)
Health	18,584	18,976	19,142	(166)
Human Services	136,743	139,629	139,872	(243)
Other	995,129	1,016,127	755,616	260,511
Debt Service:				
Principal Retirement	9,650	9,854	9,871	(17)
Interest and Fiscal Charges	4,137	4,224	4,232	(8)
Total Disbursements	3,100,301	3,165,747	3,171,185	(5,438)
Excess of Receipts Over Disbursements	65,952	94,701	61,347	(33,354)
Other Financing Sources (Uses)				
Transfers In	0	0	25,000	25,000
Transfers Out	(84,027)	(85,800)	(85,950)	(150)
Total Other Financing Sources (Uses)	(84,027)	(85,800)	(60,950)	24,850
Net Change in Fund Balance	(18,075)	8,901	397	(8,504)
Fund Balance Beginning of Year	8,494	8,494	8,494	0
Prior Year Encumbrances Appropriated	4,468	4,468	4,468	0
Fund Balance (Deficit) End of Year	($5,113)	$21,863	$13,359	($8,504)

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Job and Family Services Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Receipts				
Intergovernmental	$5,447,856	$4,622,676	$4,567,210	($55,466)
Miscellaneous	151,017	79,562	71,288	(8,274)
Total Receipts	5,598,873	4,702,238	4,638,498	(63,740)
Disbursements				
Current:				
Human Services	5,799,710	4,860,019	4,766,003	94,016
Excess of Receipts Under Disbursements	(200,837)	(157,781)	(127,505)	(157,756)
Other Financing Source				
Transfers In	93,127	89,975	85,950	(4,025)
Net Change in Fund Balance	(107,710)	(67,806)	(41,555)	26,251
Fund Balance Beginning of Year	220,774	220,774	220,774	0
Prior Year Encumbrances Appropriated	107,710	107,710	107,710	0
Fund Balance End of Year	$220,774	$260,678	$286,929	$26,251

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Motor Vehicle and Gasoline Tax Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Charges for Services	$84,000	$84,000	$54,407	($29,593)
Fines and Forfeitures	13,000	13,000	12,095	(905)
Intergovernmental	3,305,000	3,305,000	3,309,385	4,385
Interest	15,000	15,000	16,991	1,991
Miscellaneous	78,000	78,000	22,575	(55,425)
Total Receipts	3,495,000	3,495,000	3,415,453	(79,547)
Disbursements				
Current:				
Public Works	3,586,965	3,636,965	3,285,286	351,679
Net Change in Fund Balance	(91,965)	(141,965)	130,167	272,132
Fund Balance Beginning of Year	569,727	569,727	569,727	0
Prior Year Encumbrances Appropriated	90,991	90,991	90,991	0
Fund Balance End of Year	$568,753	$518,753	$790,885	$272,132

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Mental Retardation and Developmental Disabilities Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Property Taxes	$774,234	$812,000	$798,692	($13,308)
Charges for Services	2,860	3,000	7,996	4,996
Intergovernmental	892,960	936,519	915,523	(20,996)
Interest	0	0	7,886	7,886
Miscellaneous	51,965	54,500	78,917	24,417
Total Receipts	1,722,019	1,806,019	1,809,014	2,995
Disbursements				
Current:				
Health	1,641,232	1,734,232	1,685,503	48,729
Debt Service:				
Principal	250,000	250,000	250,000	0
Interest and Fiscal Charges	10,000	10,052	10,052	0
Total Disbursements	1,901,232	1,994,284	1,945,555	48,729
Net Change in Fund Balance	(179,213)	(188,265)	(136,541)	51,724
Fund Balance Beginning of Year	738,847	738,847	738,847	0
Prior Year Encumbrances Appropriated	33,425	33,425	33,425	0
Fund Balance End of Year	$593,059	$584,007	$635,731	$51,724

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Fund Net Assets - Cash Basis

Internal Service Fund

December 31, 2008

	Governmental Activities- Grants Administration Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	$8,720
Net Assets	
Unrestricted	$8,720

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Cash Receipts, Disbursements,
and Changes in Fund Net Assets - Cash Basis
Internal Service Fund
For the Year Ended December 31, 2008

	Governmental Activities- Grants Administration Fund
Operating Receipts	
Charges for Services	$61,254
Operating Disbursements	
Contractual Services	59,074
Change in Net Assets	2,180
Net Assets Beginning of Year	6,540
Net Assets End of Year	$8,720

See accompanying notes to the basic financial statements

Morgan County, Ohio

Statement of Fiduciary Net Assets - Cash Basis

Agency Funds

December 31, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	$877,371
Net Assets	
Total Net Assets	$877,371

See accompanying notes to the financial statements

Mary Hammond Adult Activity Center, Inc.
Balance Sheet
December 31, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	$5,711
Accounts Receivable	18,140
Total Assets	$23,851
Liabilities	
Accounts Payable	$6,359
Intergovernmental Payable	509
Total Liabilities	6,868
Retained Earnings	16,983
Total Liabilities and Retained Earnings	$23,851

See accompanying notes to the basic financial statements

Mary Hammond Adult Activity Center, Inc.

Statement of Revenues, Expenses and Changes in Retained Earnings

For the Year Ended December 31, 2008

Revenues	
Charges for Services	$12,404
Support Services	28,732
Reimbursements	69,478
Miscellaneous	44
Interest	19
Total Revenues	110,677
Expenses	
Personal Services	43,558
Support Services	28,732
Contract Services	15,936
Materials and Supplies	18,400
Depreciation	1,560
Debt Service:	
Interest and Fiscal Charges	58
Total Expenses	108,244
Net Change in Retained Earnings	2,433
Retained Earnings Beginning of Year	14,550
Retained Earnings End of Year	$16,983

See accompanying notes to the basic financial statements

Mary Hammond Adult Activity Center, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2008

Operating Activities	
Net Change in Retained Earnings	$2,433
Adjustments to Reconcile Change in Retained Earnings to Net Cash Used for Operations	
Receivables	(5,119)
Payables	1,158
Payroll Liabilities	13
Net Cash Used for Operating Activities	(1,515)
Cash Flows from Capital Activities	
Depreciation	1,560
Net Cash Increase for Period	45
Cash Beginning of Period	5,666
Cash End of Period	$5,711

See accompanying notes to the basic financial statements

NOTE 1 - REPORTING ENTITY

Morgan County, Ohio (The County), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three County Commissioners elected by the voters of the County. An elected County Auditor serves as chief fiscal officer. In addition, there are eight other elected administrative officials. These officials are: County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, and the Common Pleas Court/ Probate and Juvenile Court Judge. The County Commissioners serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the County.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Morgan County, this includes the Board of Mental Retardation and Developmental Disabilities Board and all departments and activities that are directly operated by the elected County Officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the levying of taxes, or the issuance of debt. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the County, are accessible to the County and are significant in amount to the County.

The Mary Hammond Adult Activity Center, Inc. (the Workshop) is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. The Workshop is under a contractual agreement with the Morgan County Board of Mental Retardation and Developmental Disabilities (MRDD) to provide sheltered employment for mentally retarded or handicapped adults in the County. MRDD provides the Workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the sole purpose of the Workshop to provide assistance to the retarded and handicapped adults of the County, the Workshop is considered to be a component unit of Morgan County.

The Morgan County Regional Airport Authority (the Authority) was created by resolution of the County Commissioners under Ohio Rev. Code Section 308.01. The purpose of the Authority is the acquisition, construction, operation, and maintenance of airports and airport facilities in the County. The Authority operates under the direction of a three-member Board of Trustees, appointed by the County Commissioners. A Secretary-Treasurer is responsible for the fiscal accounting of the resources of the Authority. Services provided by the Authority include the means by which to aid the safe taking off and landing of aircraft, storage and maintenance of aircraft, and the safe and efficient operation and maintenance of the airport. Since the Authority's Board is appointed by the County Commissioners, the Authority is considered to be a component unit of Morgan County and is discretely presented. Additional disclosures can be found in Note 20.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies is presented as agency funds within the County's financial statements:

The Morgan County Health District The District is governed by the Board of Health which overseas the operation of the District and is elected by a regional advisory council composed of township trustees, mayors of participating municipalities, and one County Commissioner. The council adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with State and federal grants applied for by the District.

Morgan County Soil and Water Conservation District The Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

The County is associated with certain organizations which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 15 and 16 to the Basic Financial Statements. The organizations are:

Buckeye Hills-Hocking Valley Regional Development District
Joint Solid Waste District
Morgan County Family and Children First Council
Community Action Program Corporation of Washington / Morgan Counties
Buckeye Hills Resource Conservation and Development Project
Mental Health and Recovery Services Board of Muskingum County
Mid Eastern Ohio Regional Council of Governments (MEORC)
Buckeye Joint-County Self-Insurance Council
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund(s) is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if any.

The statement of net assets presents the cash balance of the governmental activities of the County at year end. The statement of activities compares disbursements with program receipts for each function or program of the County's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the County's general receipts.

Fund Financial Statements During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The County classifies each fund as either governmental, proprietary, or fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. The following are the County's major governmental funds:

> ***General Fund*** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Job and Family Services Fund*** The public assistance fund accounts for various federal and State grants as well as transfers from the General Fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance and certain public social services.
>
> ***Motor Vehicle and Gasoline Tax Fund*** This fund accounts for revenue derived from motor vehicle licenses, gasoline taxes, grants, permissive sales taxes, and interest. Expenditures in this fund are restricted by State law to County road and bridge repair/improvements programs.

Mental Retardation and Developmental Disabilities Fund This fund accounts for the operation of a school and the costs of administering a sheltered workshop for the mentally retarded and developmentally disabled residents of the County. Revenue sources are federal and State grant monies and a county-wide property tax levy.

Proprietary Fund Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The County's proprietary fund is classified as an internal service fund.

Internal Service Fund Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund accounts for grant monies received from the Commissioner's Development Office and administers the grants by paying for the payroll, fringe benefits, and related expenditures of the grant.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County's fiduciary funds are all classified as agency funds. The agency funds account for assets held by the County as agent for the Board of Health and other districts and entities and for various taxes, assessments, and state shared resources collected on behalf of and distributed to other local governments.

C. Basis of Accounting

The County's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the County are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, program, department, and object level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

During 2008, the County had investments in non-negotiable certificates of deposit, which are reported at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Under existing Ohio statutes, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund is entirely assigned from other School District funds.

F. Inventory and Prepaid Items

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's cash-basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-term Obligations

The County's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing sources nor capital outlay are reported at inception. Lease payments are reported when paid.

K. Fund Balance Reserves

The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balances indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for unclaimed monies and encumbrances.

L. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include ambulance services, activities involving community development, dog warden services, and activities of the County's courts and corrections department. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports $3,101,478 of restricted net assets, of which no monies are restricted by enabling legislation.

N. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For 2008, Morgan County has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The implementation of this statement did not result in any change to the financial statements.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

The following accounts had expenditures in excess of final appropriations for the year ended December 31, 2008:

	Appropriations	Actual Expenditures	Excess
General Fund:			
General Government -			
Judicial	$370,737	$458,757	($88,020)
Public Safety	755,350	941,954	(186,604)
Health	18,976	19,142	(166)
Human Services	139,629	139,872	(243)

The following fund had original appropriations in excess of original estimated revenues plus available balances for the year ended December 31, 2008:

	Estimated Revenues plus Balances	Appropriations plus Encumbrances	Excess
General Fund	$3,179,215	$3,184,328	($5,113)

The County will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies could be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury Bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;

3. Written repurchase agreements in the securities listed above:

4. Bond and other obligations of the State of Ohio or its political subdivisions;

5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

9. Commercial paper notes**,** corporate notes and bankers acceptances; and

10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the County's bank balance was $3,875,166. Of the bank balance $1,000,000 was covered by Federal depository insurance and $2,875,166 was collateralized with securities held by the pledging financial institution's trust department in the County's name. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

Net Change in Fund Balances
General and Major Special Revenue Funds

	General	Job and Family Services	Motor Vehicle and Gasoline Tax	Mental Retardation and Developmental Disabilities
Cash Basis	($14,482)	$38,019	$142,308	($106,617)
Expenditures Accrual	(968)	0	0	0
Agency Fund Distribution:				
Beginning of Year	51,404	0	0	48,551
End of Year	(50,643)	0	0	(49,439)
Advances Out	18,750	0	0	
Encumbrances	(3,664)	(79,574)	(12,141)	(29,036)
Budget Basis	$397	($41,555)	$130,167	($136,541)

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets other than inventory, which was assessed at 23 percent. The tangible personal property tax was phased out - the assessment percentage for all property including inventory for 2008 is 6.5 percent and be reduced to zero for 2009.

The full tax rate for all County operations for the year ended December 31, 2008, was $11.15 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	$200,335,540
Public Utility Tangible Personal Property	56,255,160
Tangible Personal Property	5,825,540
Total Assessed Value	$262,416,240

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The County treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

NOTE 8 - PERMISSIVE SALES AND USE TAX

For the purposes of providing additional receipts, the County has levied a sales tax at the rate of one and one-half percent upon certain retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month. The State Auditor then has five days in which to draw the warrant payable to the County. Proceeds of the tax are credited to the General Fund.

NOTE 9 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries; and natural disasters. During 2008, the County contracted with the Buckeye Joint-County Self-Insurance Council, an insurance purchasing pool, (see Note 16), for liability, auto, and crime insurance. Each member pays a premium for their coverage. The agreement provides that the Council will be self-sustaining through member premiums. In the event of losses, the first $250 to $2,500 of any valid claim, depending on type of loss, will be paid by the member. The next payment, with a maximum pay out ranging from $100,000 to $1,000,000 per occurrence, will come from the insurance purchasing pool based on the member's percentage of contribution. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments. Morgan County does not have any ongoing financial interest or responsibility. The agreement between the counties and the Council indicates that a voluntary withdrawal or termination by any county shall constitute a forfeiture of any pro rate share of the Council reserve fund. Current calculation of this potential residual interest is, therefore, not possible. During 2008, Morgan County paid $129,534 to the Council for insurance coverage. Coverage provided to the County by the program is as follows:

	Coverage	Deductible
General Liability	$1,000,000/3,000,000	$0
Medical Expense Limit	10,000/50,000	0
Employer's Liability (Ohio Stop Gap)	1,000,000	0
Employee Benefits Liability	1,000,000/3,000,000	0
Property Damage Liability	17,904,062	1,000
Public Official Liability	1,000,000/3,000,000	5,000
Law Enforcement	1,000,000/3,000,000	5,000
Crime Coverage:		
Theft, Disappearance and Destruction	50,000	0
Public Dishonesty	250,000	0
Forgery or Alteration	5,000	0
Computer Fraud	50,000	100
Inland Marine	1,739,639	1,000
Electronic Equipment/Media Coverage:		
Electronic Equipment	500,000	1,000
Electronic Media	5,000	1,000
Extra Expense	5,000	1,000
Automobile	1,000,000 Per Occurrence	500

Settled claims have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

For 2008, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 16). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating Counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to Counties that can meet the Plan's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the cots of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The County pays all elected official bonds by State statute.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll and law enforcement public safety members contributed 10.1 percent.

The County's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.4 percent of covered payroll. For the period of 2008, a portion of the County's contribution equal to 7 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were $344,966, $425,096, and $474,869, respectively; 100 percent has been contributed for 2008, 2007, and 2006. There were no contributions to the member-directed plan for 2008 for the County.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part b premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7 percent of covered payroll from July 1, 2007 to December 31, 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006, were $236,206, $273,950, and $241,584, respectively; 100 percent has been contributed for 2008, 2007, and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2008. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 12 - CONTRACTUAL COMMITMENTS

As of December 31, 2008, the County had contractual purchase commitments as follows:

Project	Fund	Purchase Commitments	Amounts Paid as of 12/31/2008	Amounts Remaining on Contracts
Bristol Bridge Repair - 850	Motor Vehicle Gasoline Tax Fund	$14,000	$8,160	$5,840
Marion Bridge	Motor Vehicle Gasoline Tax Fund	10,900	6,540	4,360
Union Bridge - 197	Motor Vehicle Gasoline Tax Fund	11,500	2,875	8,625
Union Bridge - 472	Motor Vehicle Gasoline Tax Fund	24,660	19,728	4,932

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the County's long-term obligations during the year consisted of the following:

	Original Issue Amount	Principal Outstanding 12/31/07	Additions	Deductions	Principal Outstanding 12/31/08	Amounts Due within One Year
Governmental Activities						
General Obligation Debt:						
2003 Sales Tax Supported Building Improvement Limited Tax General Obligation Bonds - 4.625%	$2,000,000	$1,862,436	$0	$38,457	$1,823,979	$40,236
1997 Ohio Water Development Authority Loan - 4.12%	190,884	105,163	0	9,871	95,292	10,282
Total General Obligation Debt		1,967,599	0	48,328	1,919,271	50,518
MR/DD Tax Anticipation Note - 3.75%	250,000	250,000	0	250,000	0	0
2007 Bond Anticipation Note - 4.75%	145,500	145,500	0	145,500	0	0
2008 Bond Anticipation Note - 3.40%	116,500	0	116,500	0	116,500	116,500
2001 Tax Increment Financing Loan - 4.98%	93,266	74,612	0	3,109	71,503	3,109
Total Governmental Activities		$2,437,711	$116,500	$446,937	$2,107,274	$170,127

The County issued a general obligation bond anticipation note in 2001 to finance the renovation of a county building to provide county offices. The County refinanced the note with the U.S. Department of Agriculture on February 27, 2003, by issuing $2,000,000 in Sales Tax Supported Building Improvement Limited Tax General Obligation Bonds.

Proceeds from the 1997 Ohio Water Development Authority loan were used to pay for a study to determine the cap, leachate management, explosive gas monitoring, ground water monitoring, and other technical services to close the County's landfill. General Fund monies are being used to repay the debt.

On December 28, 2006, the County issued $250,000 in tax anticipation notes in anticipation of collection of the Board of Mental Retardation and Developmental Disabilities Levy approved on May 2, 2006. The note was due on January 24, 2008.

On August 16, 2007, the County issued $145,500 in general obligation bond anticipation notes for improvements to the County's information systems. The proceeds were deposited into the Miscellaneous Local Special Revenue Fund. The note was due on August 14, 2008.

On August 14, 2008, the County issued $116,500 in general obligation bond anticipation notes to refinance notes issued for improvements to the County's information systems. The proceeds were deposited into the Miscellaneous Local Special Revenue Fund. The note is due on August 13, 2009.

The County obtained a tax increment financing loan in 2001. Proceeds from this loan will be used to pay for water line chlorination systems and a bulk station to provide potable water for industry. Tax Increment Financing service payments are being used to repay this debt.

The following is a summary of the County's future annual principal and interest requirements to retire general obligation bonds:

Year Ended December 31,	Building Improvement General Obligation Bonds		
	Principal	Interest	Total
2009	$40,236	$84,359	$124,595
2010	42,097	82,498	124,595
2011	44,043	80,551	124,594
2012	46,081	78,514	124,595
2013	48,212	76,383	124,595
2014-2018	276,643	346,332	622,975
2019-2023	346,814	276,161	622,975
2024-2028	434,784	188,191	622,975
2029-2033	545,069	77,906	622,975
Total	$1,823,979	$1,290,895	$3,114,874

The following is a summary of the County's future annual principal and interest requirements to retire the OWDA and Tax Increment Financing Loans:

Year Ended December 31,	Ohio Water Development Authority Loan			Tax Increment Financing Loan		
	Principal	Interest	Total	Principal	Interest	Total
2009	$10,282	$3,821	$14,103	$3,109	$3,561	$6,670
2010	10,710	3,393	14,103	3,109	3,406	6,515
2011	11,156	2,947	14,103	3,109	3,251	6,360
2012	11,620	2,483	14,103	3,109	3,096	6,205
2013	12,104	1,999	14,103	3,109	2,942	6,051
2014-2018	39,420	2,891	42,311	15,545	12,386	27,931
2019-2023	0	0	0	15,545	8,515	24,060
2024-2028	0	0	0	15,545	4,645	20,190
2029-2033	0	0	0	9,323	929	10,252
Total	$95,292	$17,534	$112,826	$71,503	$42,731	$114,234

A. Debt Margin

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total valuation of the County. The Code further provides that the total shall never exceed a sum equal to three percent of the first $100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of $100,000,000 and not in excess of $300,000,000, plus two and one-half percent of such valuation in excess of $300,000,000. The County's unvoted debt margin was $3,612,265 at December 31, 2008.

B. Conduit Debt

Pursuant to State statue, various industrial revenue bonds have been issued for private industry within the County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2008, $3,000,000 of industrial revenue bonds had been issued and $271,666 of those remained outstanding.

NOTE 14 - INTERFUND BALANCES AND TRANSFERS

At December 31, 2008, the Other Nonmajor Governmental Funds owed the General Fund $78,843 due to lags between the dates transactions recorded in the accounting system and payments between funds were made.

Interfund transfers for the year ended December 31, 2008, consisted of the following:

	Transfer from		
Transfer to	General	Other Nonmajor Governmental	Total
Major Funds:			
General Fund	$0	$25,000	$25,000
Job and Family Services	85,950	0	85,950
Total All Funds	$85,950	$25,000	$110,950

The above mentioned Transfers From/To were used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Transfer from the Other Nonmajor Governmental Funds to the General Fund was a court ordered transfer from the Capital Improvements Fund to the General Fund.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Developmental District serves as the Area Agency on Aging for Washington, Athens, Hocking, Meigs, Monroe, Morgan , Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one County Commissioner from each county, one member from the City of Athens, one member from the City of Marietta, four at-large members appointed from the ten government members, and one member from the minority sector. The board has total control over budgeting, personnel, and all other financial matters. The District administers County Community Development Block Grant and Issue II monies. During 2008, the District received $1,990 in administrative fees from Morgan County. The continued existence of the District is not dependent on the County’s continued participation and no equity interest exists.

B. Joint Solid Waste District

The County is a member of the Joint Solid Waste District which consists of Washington, Guernsey, Monroe, Morgan , Muskingum, and Noble Counties. The purpose of the District is to make disposal of waste in the six-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by Ohio Revised Code.

The Joint Solid Waste District is governed and operated through three groups. An eighteen-member board of directors, composed of the three Commissioners from each County, is responsible for the District's financial matters. Financial records were maintained by Muskingum County until May 1993 at which time Noble County assumed the responsibility. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no contributions were received from the County in 2008. No future contributions by the County are anticipated. A thirty-one member policy committee composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the Policy Committee. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Morgan County Family and Children First Council

The Morgan County Family and Children First Council provides services to multi-need youth in Morgan County. Members of the Cluster include the Morgan County Health Department, the Regional Office of Youth Services, the Morgan County Juvenile Court, the Morgan County Mental Health Board, Morgan County Children Services, the General Health District, and a representative of the Morgan County School Districts. The operation of the Council is controlled by an advisory committee which consists of a representative from each agency. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists.

D. Community Action Program Corporation of Washington-Morgan Counties

The Community Action Program Corporation of Washington-Morgan Counties, Ohio, is operated as a non-profit organization formed to provide various programs in Washington and Morgan Counties. Currently, the Corporation administers the Family Service and Outreach Program; the Community Action Bus Line (CABL); the Child Development Program; the Senior Nutrition Program; Women, Infants and Childrens' Supplemental Nutrition Program; the Home Weatherization Assistance and Energy Program; the Job Training and Partnership Act Program; Housing and Urban Development Section 8 Existing Housing Voucher/Certificate Program; and various other state and federal programs. The Corporation is the direct recipient of the federal and state monies. The Corporation is governed by a fifteen member council. The council is composed of the Mayor of the City of Marietta, the Mayor of the City of Belpre, two commissioners from Washington County, one Commissioner from Morgan County, five lower income representatives, and five private sector representatives from Washington and Morgan Counties selected by outreach workers. Currently, the Corporation, by contract, provides administrative services to these governments in specific programs. During 2008, the Corporation did not receive any administrative fees from the County. These fees were received by the Corporation directly from the granting agencies. The continued existence of the Corporation is not dependent on the County's continued participation and the City does not have an equity interest in the Corporation.

E. Buckeye Hills Resource Conservation and Development Project

The Buckeye Hills Resource Conservation and Development Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all the resources of the area. It serves Athens, Belmont, Hocking, Meigs, Monroe, Morgan , Noble, Perry, and Morgan Counties. The Project is governed by an executive council. The Council is composed of one County Commissioner from each county, one member from the Soil and Water Conservation District of each county, a representative chosen jointly by the county commissioners and Soil and Water Conservation Districts of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The Council has total control over budgeting, personnel, and all other financial matters. During 2008, the Council received $0 in administrative fees from Morgan County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

F. Mental Health and Recovery Services Board of Muskingum County

The Mental Health and Recovery Services Board of Muskingum County (the Board) provides alcohol, drug addiction and mental health services and programs, primarily through contracts with private and public agencies. The Board also provides forensic evaluation services to adult felony courts, and residential services to youth experiencing emotional problems which prevent them from living at home. The Board serves Coshocton, Guernsey, Morgan, Muskingum, Noble, and Perry Counties and operates under the direction of an eighteen-member appointed Board. Each participating county has agreed to levy a tax within their county to assist in the operation of the Board. The Board also directly receives state and federal funding for its operations. Although the Muskingum County Auditor and County Treasurer are responsible for fiscal control of the resources of the Board, the Board is responsible for budgeting and accounting for the resources at its disposal. Membership on the Board is based upon Ohio law. The continued existence of the Board is not dependent upon the County's continued participation and no equity interest exists. In 2008, the County contributed $156,892 to the Board.

G. Mid Eastern Ohio Regional Council of Governments (MEORC)

The Mid Eastern Ohio Regional Council of Governments is a regional council of governments created pursuant to Ohio Revised Code Chapter 167. Participating counties include Belmont, Carroll, Coshocton, Fairfield, Guernsey, Harrison, Hocking, Holmes, Jefferson, Knox, Monroe, Morgan , Muskingum, Noble, Perry, Tuscarawas, and Morgan Counties. MEORC was created to provide the best possible services to persons with mental retardation and disability in their respective counties. Each county has representation on the MEORC board. Member counties have a contract between its county MR/DD board and the MEORC for MEORC to provide supported living services or housing to eligible persons in the member counties.

NOTE 16 - INSURANCE PURCHASING POOLS

A. Buckeye Joint-County Self-Insurance Council

The Buckeye Joint-County Self-Insurance Council is an insurance purchasing pool that serves Washington, Athens, Hocking, Jackson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, and Vinton Counties. It was formed as an Ohio not-for-profit corporation for the purpose of establishing an insurance pool to obtain general liability, law enforcement, professional, and fleet insurance. Member counties provide operating resources to the Council based on actuarially determined rates.

The degree of control exercised by any participating government is limited to its representation on the Council. The Governing Board is composed of at least one County Commissioner from each of the participating counties. The Governing Board annually elects officers which include a President, Vice President, Second Vice President, and two Governing Board members. The expenses and investment of funds by the officers must be approved by the Governing Board unless specific limits have been set by the Governing Board to permit otherwise.

B. County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuring year by the participants at the meeting held in the month of December each year. No participant can have more than member of the group executive committee in any year and each elected member shall be a County Commissioner.

NOTE 17 - FEDERAL FOOD STAMP PROGRAM

The County's Department of Job and Family Services distributes federal food stamps to entitled recipients within Ohio County. The receipt and issuance of food stamps have the characteristics of federal "grants"; however, the Department of Job and Family Services merely acts in an intermediary capacity. The inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. The County's Department of Job and Family Services had no inventory of food stamps on hand at December 31, 2008.

NOTE 18 - CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial condition.

NOTE 19 - LANDFILL

The Commissioners leased land from F. E. and Eileen Haines to operate the Morgan County Landfill (the Facility). William Miller was the operator and license holder for the Facility from 1974 to 1988, when the Facility was closed. The Ohio Administrative Code requires the operator to complete certain environmental remediation to the Facility within sixty days after closing and to maintain the site after closure. Subsequent to the closure on September 1, 1988, the Ohio Environmental Protection Agency (OEPA) conducted inspections and documented various violations of closure requirements. On February 13, 1995, the Director of the OEPA issued Final Findings and Orders to the Morgan County Commissioners, F. E. and Eileen Haines, and William R. Miller concerning violations of closure and post-closure requirements. Post-closure requirements extend 30 years beyond the closure date.

As a result of the Directors Final Findings and Orders, the Commissioners contracted for a study to determine the cap, leachate management, explosive gas monitoring, ground water monitoring, and for other technical services relating to closure procedures for the Facility. During 1997, the County paid for the construction phase of capping the Facility. In 2001, the Commissioners contracted with an engineering firm to prepare a corrective measure plan to address the remaining OEPA concerns, including post-closure care. Other alternative plans ranging from approximately $1.5 million to $15.9 million have been documented and presented by Advanced Geo Services, who are employees of Gould, Inc., to the OEPA. Advanced GeoServices continues to monitor gas and groundwater pollutant levels for Gould. The Commissioners are also responsible for providing $33,000 of in-kind contributions for illegal dump cleanup. To date, approximately $26,000 of these in-kind contributions have been provided.

As of the date of this report, the Commissioners cannot determine which plan will be accepted, if any, or what portion of the remaining costs may have to be paid by the County. However, plans are being made to install a leachate collection tank.

NOTE 20 - COMPONENT UNIT DISCLOSURES

A. Morgan County Regional Airport Authority

The following are the Morgan County Regional Airport Authority (the Authority) notes to the financial statements for the year ended December 31, 2008:

Summary of Significant Accounting Policies

Basis of Presentation: The Summary of Significant Accounting Policies is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who are responsible for their integrity and objectivity. These accounting policies conform to the basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability in incurred.

Cash and Cash Equivalents: The Authority considers deposits with maturities of twelve months or less to be cash equivalents. At December 31, 2008, the carrying amount of the Authority's deposits was $2,922 and the bank balance was $2,922. The bank balance was covered by federal depository insurance

Property, Plant and Equipment: Capital assets acquired or constructed for the Authority are recorded as disbursements. Depreciation is not recorded for these capital assets.

Income Taxes: The Authority is exempt from income tax under Section 501(C)(3) of Internal Revenue Code.

Debt: In 2007, the Authority obtained a loan from First National Bank in the amount of $35,000. As December 31, 2008, the amount of the loan due was $33,960. Payment will be made monthly. The first 60 months will be repaid in installments of $293.46 per month and then $315.19 over the next 120 months. The calculated nominal interest rate is 6.532%.

B. Mary Hammond Adult Activity Center, Inc.

The following are the Mary Hammond Adult Activity Center, Inc. (the Workshop) notes to the financial statements for the year ended December 31, 2008:

Summary of Significant Accounting Policies

Basis of Presentation: The Summary of Significant Accounting Policies is presented to assist in understanding the Workshop's financial statements. The financial statements and notes are representations of the Workshop's management, who are responsible for their integrity and objectivity. These accounting policies conform to the basis of accounting prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability in incurred.

Cash and Cash Equivalents: The Workshop considers deposits with maturities of twelve months or less to be cash equivalents. At December 31, 2008, the carrying amount of the Workshop's deposits totaled $5,711 and the bank balance was $7,237. The bank balance was covered by federal depository insurance.

Accounts Receivable: Accounts receivables are carried at costs, which is the amount the Workshop expects to collect on balances outstanding at year end. Management has not recorded an allowance for bad debt.

Capital Assets: Capital assets are carried at costs less accumulated depreciation for items that have a value greater than $2,500 and intended for long-term use. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charges to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful life of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation for financial reporting purposes is based on the following policies:

Asset Category	Estimated Life
Machinery and Equipment	5-8 Years
Vehicles	5 Years

Income Taxes: The Workshop has applied for exemption from federal income taxes under 501(C)(3) of Internal Revenue Code and has been recognized as a nonprofit by the State of Ohio. Therefore, no provision has been made for federal of Ohio income taxes in the financial statements.

Debt: In 2004, the Workshop opened a line of credit with North Valley Bank for $7,500 with an interest rate of 6.5 percent. Each year this line of credit is renewed. There was no outstanding balance as of December 31, 2008.

Related Party Transactions: During 2008, Morgan County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of programs to the Workshop. These in-kind contributions were valued at $28,732. The in-kind contributions are reflected in the Statement of Revenues, Expenses and Changes in Retained Earnings as "Support Services" revenues and correspondingly as "Support Services" expenses.

Retirement System: All employees of the Workshop are covered by Social Security. The Workshop's liability is 6.2% of wages paid. Employees contribute a matching amount.

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Morgan County
155 East Main Street
Room 217
McConnelsville, Ohio 43756-1297

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Morgan County, Ohio as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 11, 2009, wherein, we noted, that except for the Mary Hammond Adult Activity Center, Inc., the County uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Morgan County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted certain matters that we have reported to management in a separate letter dated August 11, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards.,* which is described in the accompanying Schedule of Findings as items 2008-01 and 2008-02. We also noted certain immaterial instances of noncompliance, which we have reported to management of Morgan County in a separate letter dated August 11, 2009.

Morgan County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Morgan County's response and, accordingly, we express no opinion on it.

This report is intended for the information of the management, the Board of County Commissioners, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 11, 2009

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Morgan County
155 East Main Street
Room 217
McConnelsville, Ohio 43756-1297

Compliance

We have audited the compliance of Morgan County, Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. Morgan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morgan County's management. Our responsibility is to express an opinion on Morgan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Morgan County's compliance with those requirements.

In our opinion, the Morgan County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying Schedule of Findings as item 2008-03 and 2008-04.

Internal Control Over Compliance

The management of Morgan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of noncompliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2008-05 to be a significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information of the management, The Board of Commissioners, the Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 11, 2009

MORGAN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
DECEMBER 31, 2008

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies In internal control reported at the financial Statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	YES
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies In internal control reported for major federal programs?	YES
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	YES
(d)(1)(vii)	Major Programs:	CDBG; CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

FINDING NUMBER 2008-01

Noncompliance Citation

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)

FINDING NUMBER 2008-01 (CONTINUED)

Ohio Admin. Code Section 117-2-03 (B) requires the County to file its annual report pursuant to generally accepted accounting principles. However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the County take necessary steps to ensure the annual financial report is prepared in accordance with generally accepted accounting principles.

Client Response: Morgan County has not filed GAAP financial statements because we feel that the costs related to the GAAP filing requirements far outweigh the benefits that Morgan County would realize.

FINDING NUMBER 2008-02

Ohio Revised Code Section 5705.41(B), states that no subdivision or taxing authority is to expend money unless it has been appropriated. The County had the following funds which had expenditures greater than appropriation authority.

Fund	Appropriation Authority	Expenditures	Variance
Tax Increment	$ 6,825	$ 6,834	$ (9)
Certificate of Title	41,981	55,792	(13,811)
Ambulance	410,112	437,947	(27,835)
Violence against Women	18,700	24,127	(5,427)

Client Response: We agree with findings and will continue to monitor budgetary activity.

MORGAN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
OMB CIRCULAR A-133 SECTION 505
DECEMBER 31, 2008

3. <u>Findings and Questioned Costs for Federal Awards</u>

FINDING NUMBER 2008-03

CFDA Title and Number: Workforce Investment Act Cluster - CFDA #17.258, 17.259 and 17.260
Federal Award Number/Year: N/A
Federal Agency: U.S. Department of Labor
Pass-Through Agency: Workforce Investment Act Area 15

Noncompliance Citation - Cash Management

2 C.F.R. Section 215.22(b)(2) requires that cash advances be limited to the minimum amounts needed and be timed to be in accord with the actual, immediate cash requirements of the organization in carrying out the purpose of the program or project. Since the Ohio Department of Job and Family Services has a ten-day disbursement cycle, Workforce Investment Act (WIA) program cash balances should not significantly exceed the amounts needed in the next ten days.

During 2008, WIA cash balances on hand exceeded the amounts needed in the next ten days on the dates listed below.

Date	WIA Cash Balance	Amount Spent within 10 Days	Amount Not Spent within 10 Days
January 10, 2008	$ 10,000	$ 642	$ 9,358
February 7, 2008	29,151	2,275	26,876
February 22, 2008	18,120	776	17,344
February 28, 2008	25,980	16,662	9,318
March 13, 2008	17,000	-	17,000
April 24, 2008	47,000	-	47,000
May 8, 2008	16,200	-	16,200
May 22, 2008	12,000	-	12,000
June 30, 2008	50,000	11,228	38,772
July 11, 2008	12,000	134	11,866
October 23, 2008	38,000	-	38,000

We recommend WIA cash balances be monitored on a regular basis and that weekly cash draw requests be reduce or eliminated during times when the WIA program cash balance is adequate to cover immediate cash needs.

Client Response and Corrective Action Plan - Previous drawdowns were made monthly. However, drawdown requests are now made bi-weekly. We will continue to monitor and change our drawdown requests as needed.

4. Findings and Questioned Costs for Federal Awards (Continued)

FINDING NUMBER 2008-04

CFDA Title and Number: Community Development Block Grant CFDA #14.228
Federal Award Number/Year: Various
Federal Agency: U.S. Department of Housing and Urban Development
Pass-Through Agency: Ohio Department of Development

Noncompliance Citation - Cash Management

Grantees must develop a cash management system to ensure compliance with the Fifteen-Day Rule relating to prompt disbursements of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than $5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen-Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days. In 2008, draw downs were made but the disbursements made did not bring the balance on hand to $5,000.

Client Response and Corrective Action Plan: We will closely monitor draw downs and the expenditures to try to be in compliance with this rule.

FINDING NUMBER 2008-05

Grant Title – Highway Planning and Construction
CFDA #20.205
Federal Agency – U.S. Department of Transportation
Pass Through Agency – Ohio Department of Transportation

Significant Deficiency – Reporting

Auditor of State Bulletin 2000-08 provides the recommended accounting treatment for on-behalf of grants. When a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The County was awarded a Highway Planning and Construction grant and approximately $21,798 of this grant was paid by the Ohio Department of Transportation directly to the contractor on-behalf-of the County. The financial activity was not reflected on the Schedule of Federal Award Expenditures. We adjusted the Schedule to reflect this activity.

Not recording this on-behalf-of grant activity on the Schedule of Federal Award Expenditures could result in an understatement of revenue and expenditures which in turn could result in inaccurate reporting to the grantor agency.

We recommend the County be aware of the receiving on-behalf-of grant from the State and Federal government, that the guidance of Auditor of State Bulletin 2000-08 is followed so the proper accounting treatment can be applied to the transaction.

Client Response: We will follow the guidance of Auditor of State Bulletin 2000-08 and make County employees who are responsible for grants to notify the County Auditor's office if on-behalf-of grants are received so that they came to recorded correctly.

MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
(Pass through Ohio Department of Development)			
Community Development Block Grant	BW-06-053-1	14.228	$ 284,717
	BC-06--53-1		51,091
	BF-06-053-1		94,390
	BF--7-053-01		64,612
			494,810
HOME Partnership Grant	B-C-06-053-2	14.239	**169,203**
Total U.S. Department of Housing and Urban Development			**664,013**
U.S. DEPARTMENT OF JUSTICE:			
Pass through Ohio Attorney General's Office			
Crime Victim Assistance	2009-VA-GENE-336	16.575	6,647
	2008-VA-GENE-336		26,259
			32,906
Forensic DNA Capacity Enhancement Program	n/a	16.741	**40**
Pass through Ohio Office of Criminal Justice Sevices and the Village of McConnelsville			
Violence Against Women Formula Grants	2004--WF-VA2-8423	16.588	**24,127**
Pass through Ohio Office of Criminal Justice Sevices			
Local Law Enforcement Block Grant	2005-LE-LLE-5146	16.592	**21,622**
Total U.S. Department of Justice			**78,695**
U.S. DEPARTMENT OF LABOR:			
Pass through Workforce Investment Act Area 15			
Workforce Investment Act Cluster:			
WIA Adult	n/a	17.258	125,066
WIA Youth Activities	n/a	17.259	174,273
WIA Dislocated Worker	n/a	17.260	92,124
WIA Rapid Response	n/a	17.261	46,114
			437,577
Total U.S. Department of Labor			**437,577**

See notes to Schedule of Federal Awards Expenditures.

MORGAN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
Pass through Ohio Department of Transportation			
Highway Planning and Construction	PID 83408M	20.205	**21,798**
Formula Grants for Other than Urbanized Areas	RPT-4058-024-052	20.509	**84,758**
Total U.S. Department of Transportation			**106,556**
U.S. DEPARTMENT OF EDUCATION:			
Pass through Ohio Department of Health			
Special Education Grants-Infants/Families with Disabilities	n/a	84.181	**195,258**
Total U.S. Department of Education			**195,258**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through Ohio Department of Aging and the Area Agency on Aging			
Special Programs for the Aging - Title III, Part B	n/a	93.044	**85,919**
Pass through Ohio Department of MR/DD			
Social Services Block Grant	n/a	93.667	**16,823**
Medical Assistance program - Target Case Management	n/a	93.778	**266,304**
Total U.S. Department of Health and Human Services			**369,046**
DEPARTMENT OF HOMELAND SECURITY			
Pass through Ohio EMA			
Public Assistance Grant	FEMA-1580-DR-115-05BOA	97.036	**27,934**
State Homeland Security Program	2006-GE-T5-0001	97.073	**38,935**
Total Federal Emergency Management Agency			**66,869**
Total Federal Awards Expenditures			**$ 1,918,014**

See notes to Schedule of Federal Awards Expenditures.

MORGAN COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C - SUBRECIPIENTS

The County passes-through certain Federal assistance received from the U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under OMB Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

MORGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION 315(b)
December 31, 2008

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain:**
2007-01	OAC 117-2-03B Not filing report in accordance with GAAP	No	Not Corrected. Cited in current report as finding 2008-01
2007-02	ORC 5705.41(B) Expenditures exceeding Appropriations	No	Not Corrected. Cited in current report as item 2008-02
2007-02	Cash Management WIA Program 10 day rule	No	Not Corrected. Cited in current report as item 2008-03
2007-04	Cash Management CDBG Program 15 day rule	No	Not Corrected. Cited in current report as item 2008-04
2007-05	Reporting Highway Planning Prog. On-behalf not recorded	No	Not Corrected. Cited in current report as item 2008-05
2007-06	Internal Control for WIA, not getting approval for payment	Yes	Finding No Longer Valid

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

MORGAN COUNTY

CLERK'S CERTIFICATION
This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 12, 2009